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MARSHALL FIELD & COMPANY
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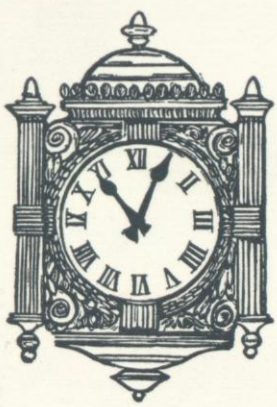

ANNUAL REPORT OF

MARSHALL FIELD & COMPANY

YEAR ENDED JANUARY 31, 1962

MARSHALL FIELD & COMPANY

founded in 1852
an Illinois corporation
incorporated in 1901

general offices:

25 EAST WASHINGTON STREET, CHICAGO 2, ILLINOIS

1961

ANNUAL REPORT TO SHAREHOLDERS

General Counsel
WILSON & McILVAINE
Chicago

Public Accountants
ARTHUR ANDERSEN & CO.
Chicago

Transfer Agents
CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
Chicago

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
New York

Registrars
THE FIRST NATIONAL BANK OF CHICAGO
Chicago

BANKERS TRUST COMPANY
New York

THE STORY IN BRIEF
(in thousands of dollars)

	Fiscal Year		
	1961	1960	1959
Net Sales	$235,723	$234,201	$234,339
Income before Federal Taxes	18,317	17,881	18,437
Federal Taxes on Income	9,210	9,021	9,250
Net Income	9,107	8,861	9,187
Net Income per Common Share	2.25	2.21*	2.25*
Dividends Declared per Common Share	1.40	1.25*	1.25*
Cash and Securities	31,211	32,329	27,217
Accounts Receivable	28,662	28,694	29,909
Merchandise Inventories	33,816	31,440	31,903
Net Working Capital	65,634	66,536	62,903
Ratio of Current Assets to Current Liabilities	3.3	3.5	3.3
Expenditures for Plant and Equipment			
Modernization and Replacement	1,993	1,770	1,998
Expansion	6,987	755	157
Depreciation	4,120	3,971	3,866
Common Shareholders' Investment	101,542	96,751	93,434
Book Value per Common Share	25.31	24.63*	23.73*

* Adjusted to reflect two-for-one stock split effective May 10, 1961.

MARSHALL FIELD & COMPANY

The Board of Directors submits to the Shareholders this annual report for the fiscal year ended January 31, 1962.

Your Company's sales volume for the year was $235,723,000 compared with $234,201,000 for the preceding year. Net income was $9,107,000 compared with $8,861,000 in 1960.

Net income per Common Share was $2.25 in 1961, $2.21 in 1960. The latter figure is adjusted to reflect the two-for-one stock split effective May 10, 1961.

Operating results and other financial data are summarized on the opposite page.

Our Chicago Stores Division, including the Mayfair store in suburban Milwaukee, achieved excellent results in 1961 despite a fairly serious setback in the latter part of the fiscal year caused by extremely unfavorable weather conditions in the Chicago area. Our Frederick & Nelson operation also had a good year and recovered much of the ground lost in 1960 due to the seriousness of the recession in Seattle. The recent Frederick & Nelson sales trend has been quite strong.

Prior to the two-for-one stock split effective May 10, 1961, the quarterly dividend rate on our Common Shares was 62½ cents. In March 1961 the Board of Directors announced its plan to increase the dividend to 70 cents per share. Inasmuch as the stock split was approved by shareholders on May 3, 1961, a dividend of 35 cents per share was paid on May 31, 1961, on each of the Common Shares outstanding after the split. Dividends in the same amount have been paid in each subsequent quarter.

Your Company continues to enjoy an exceptionally strong cash position. Despite heavy capital expenditures on the construction of our new Oakbrook store, cash and securities at the year-end totaled $31,211,000 compared with $32,329,000 on January 31, 1961.

We exercised our option to prepay without premium, in March 1962, $1,000,000 of the principal amount of a long-term loan from the Metropolitan Life Insurance Company, thus reducing our funded debt to $26,000,000.

Merchandise inventories on January 31, 1962, were $33,816,000 compared with $31,440,000 a year earlier. A large part of this increase was accounted for by our Oakbrook store. Accounts receivable decreased slightly from $28,694,000 to $28,662,000. The ratio of current assets to current liabilities decreased from 3.5 to 3.3.

The Company's minimum rent obligation under long-term leases approximates $570,000 per annum.

Payments toward the 1961 cost of our Retirement Program were $1,030,000. On January 31, 1962, the market value of assets in our Pension

Trust was $46,010,000. Since its establishment in 1943, a total of $10,603,000 has been paid out of the Pension Trust to 4,299 retired employes, 3,161 of whom are currently receiving pension payments.

Our capital expenditures during the past year were $8,980,000, of which amount $1,993,000 was for the purpose of modernizing or replacing existing facilities. Depreciation on all properties totaled $4,120,000. Again in 1962 we expect our capital outlay on stores in operation to be well below our charge for depreciation. We continue to maintain all of our properties in excellent physical condition.

One of the interesting events of the year was the complete refurbishing of the exterior of our block-square main store and our Store for Men building in downtown Chicago. This involved cleaning, sandblasting, tuckpointing and painting of trim. While numerous technical difficulties were involved due to the construction characteristics of the buildings, the results exceeded our expectations and were enthusiastically approved by the people of Chicago.

Our new store in Oakbrook Center in west suburban Chicago opened March 5, as this report was going to press. It is one of our largest suburban stores and will serve a trading area of about 1,000,000 people. With the completion of Oakbrook, every person in the metropolitan Chicago area will be able to reach a Marshall Field & Company store by automobile within approximately thirty minutes.

Oakbrook Center is one of the largest and most attractive shopping centers in the country. It is 99 per cent leased to an excellent group of tenants, most of whom also will have their stores in operation in early March.

We recently announced plans to build a second branch store in the Seattle area. This will be located to the north of downtown Seattle in a shopping center known as Aurora Village. The store will be 150,000 square feet in size, somewhat larger than our Bellevue store east of downtown Seattle. We expect the new store to be in operation sometime in 1963.

For several reasons we have not been entirely satisfied for some time with our restaurant operations at Midway and O'Hare airports in Chicago. Now because of the recent transfer of practically all passenger traffic from Midway to O'Hare and the opening of new terminal facilities at O'Hare in January 1962, we are confronted with the probability of operating losses in both restaurants. We, therefore, plan to discontinue these operations as soon as feasible. Also, in light of our experience and for certain policy reasons, we decided last year not to exercise our option to operate the restaurant facilities in the new terminal buildings at O'Hare.

We announced last year that Mr. William S. Street, President of our Frederick & Nelson Division, planned to retire on January 31, 1962. Mr. Street's retirement became effective on that date. At the same time Mr. Cornelius J. Byrne, General Manager of Frederick & Nelson, was appointed President, succeeding Mr. Street in that office.

We record with deep sorrow the death on January 24, 1962, of Mr. John D. Andersen, Vice President and Comptroller. Mr. Andersen had been in the employ of the Company since 1932 and Comptroller since 1943. He was a

man of exceptional loyalty and integrity, as well as great technical competence. Widely respected throughout our organization, his passing is mourned by his many friends and associates in the Company.

Mr. George G. Rinder has succeeded Mr. Andersen as Vice President and Comptroller of the Company. Mr. Rinder was Assistant Comptroller between 1952 and 1958, and since then has served as Assistant to the General Manager of our Chicago Stores Division.

During February, the first month of fiscal 1962, we have enjoyed good business in Frederick & Nelson but have continued to be adversely affected by bad weather in the Chicago area. During the early part of the year we shall also be slightly handicapped by probable losses in our airport restaurants and by preopening expenses at Oakbrook Center. However, the outlook for the year as a whole appears to be favorable, in part due to the steadily improving general economic situation. We are unusually optimistic about the year's prospects in the Seattle area. The Seattle World's Fair, which opens April 21 for six months, has already had a stimulating effect on Seattle business and will continue to have this influence throughout most of the year. We also believe that the Fair will have very beneficial long-range effects on the growth of population and the economy of Seattle.

Another reason for our confidence in the future of your Company lies in the extraordinary improvements effected during the past five years in the downtown business centers of Chicago and Seattle. Both of these areas remained fairly static for many years during and following the depression of the 1930's. But since 1950 and particularly since 1955, each has been the scene of much new building construction as well as many other improvements in the form of beautification, modernization, the construction of parking facilities and of new highways. There is far greater optimism about the future of these business centers than has prevailed for many years. We are quite certain, therefore, that the two stores which have generated a large part of our earnings in the past, our main stores in Chicago and Seattle, will continue to make important contributions to our profit performance.

In conclusion I would like to express my gratitude to the many thousands of people who are responsible for the success of this business. The goodwill of our customers is one of our most valuable assets. The loyal support of our sixteen thousand shareholders is of vital importance to us. Our suppliers throughout the world make it possible for us to assemble an unequaled assortment of quality merchandise. And finally, the skill, knowledge and character of our staff of employes account largely for the fine reputation your Company enjoys with the buying public.

By Order of the Board of Directors,

March 15, 1962

President

MARSHALL FIELD & COMPANY

INCOME STATEMENT

	Fiscal Year Ended January 31, 1962	Fiscal Year Ended January 31, 1961
NET SALES	$235,722,791	$234,200,857
DEDUCT:		
Cost of goods sold and expenses, exclusive of items listed below	$203,339,642	$203,135,854
Maintenance and repairs	2,673,263	2,472,828
Provision for depreciation and amortization	4,120,190	3,970,642
Taxes other than Federal income taxes	5,567,849	5,057,168
Rentals paid	1,241,760	1,273,488
Net interest expense	463,529	409,474
Federal income taxes	9,210,000	9,020,739
	$226,616,233	$225,340,193
NET INCOME FOR THE YEAR	$ 9,106,558	$ 8,860,664

EARNED SURPLUS

BALANCE AT JANUARY 31, 1961		$69,795,898
Net income for the year		9,106,558
		$78,902,456
Cash dividends declared on —		
Cumulative Preferred Shares, 4¼% Series..	$ 199,289	
Common Shares ($1.40 per share).....	5,572,288	5,771,577
BALANCE AT JANUARY 31, 1962		$73,130,879

PAID-IN SURPLUS

BALANCE AT JANUARY 31, 1961	$ 9,131,872
Excess of par value of ten 4¼% Cumulative Preferred Shares purchased and cancelled, over the cost thereof ...	16
BALANCE AT JANUARY 31, 1962	$ 9,131,888

MARSHALL FIELD & COMPANY BALANCE SHEETS

	January 31, 1962	January 31, 1961
ASSETS		
CURRENT ASSETS:		
Cash	$ 9,630,603	$ 9,662,232
United States Government securities and other short-term investments, at cost	21,580,842	22,667,089
Receivables from customers and others, less reserves for doubtful accounts of $951,000 at January 31, 1962 and $1,133,500 at January 31, 1961	28,661,606	28,694,173
Merchandise inventories, priced at the lower of cost or market	33,816,385	31,439,670
Prepaid insurance, supply inventories, etc.	1,008,284	1,076,482
Total Current Assets	$ 94,697,720	$ 93,539,646
FIXED ASSETS:		
Land, at cost	$ 18,296,327	$ 18,120,710
Buildings, leaseholds and equipment, at cost	88,997,533	82,347,149
	$107,293,860	$100,467,859
Less — Reserves for depreciation and amortization	39,696,962	37,563,215
Net Fixed Assets	$ 67,596,898	$ 62,904,644
GOODWILL, TRADEMARKS, ETC.	$ 1	$ 1
	$162,294,619	$156,444,291

	January 31, 1962	January 31, 1961
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$ 8,380,573	$ 7,094,726
Accrued Federal income taxes	8,001,593	7,941,350
Other accrued liabilities	12,681,843	11,967,409
Total Current Liabilities	$ 29,064,009	$ 27,003,485
3¾% NOTES, maturing from 1972 to 1982	$ 27,000,000	$ 28,000,000
CAPITAL STOCK:		
Cumulative Preferred Shares —		
Authorized 196,884 shares at January 31, 1962 of $100 par value, issuable in series—4¼% Series; redeemable at premium of $4.00 per share; issued and outstanding 46,884 shares at January 31, 1962	$ 4,688,400	$ 4,689,400
Common Shares —		
Authorized 8,000,000 shares of no par value. At January 31, 1961, options for 150,610 shares were outstanding and 132,900 shares were available for granting of options. During the year options were exercised for 84,820 shares, cancelled for 1,980 shares, and none were granted. At January 31, 1962, options for 63,810 shares were outstanding at $14.50 to $24.88 per share, of which 30,370 shares were exercisable currently; 134,880 shares were available for granting of options. (The above figures reflect the two-for-one stock split effective May 10, 1961.)		
Issued and outstanding 4,012,236 shares at January 31, 1962, at stated value	19,279,443	17,823,636
PAID-IN SURPLUS	9,131,888	9,131,872
EARNED SURPLUS ($35,926,263 not available for dividends on Common Shares as long as 3¾% Notes are outstanding)	73,130,879	69,795,898
	$106,230,610	$101,440,806
	$162,294,619	$156,444,291

AUDITORS' CERTIFICATE

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Shareholders of
Marshall Field & Company:

We have examined the balance sheet of MARSHALL FIELD & COMPANY (an Illinois corporation) as of January 31, 1962, and the related statements of income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income and surplus present fairly the financial position of Marshall Field & Company as of January 31, 1962, and the results of its operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
March 5, 1962

BOARD OF DIRECTORS

JOHN M. BUDD	*President, Great Northern Railway Company*
KENT CHANDLER	*Director, A. B. Dick Company*
MARSHALL FIELD, JR.	*President and Publisher, Chicago Sun-Times and Chicago Daily News*
STANLEY FIELD	*Chairman of the Board, Chicago Natural History Museum*
HENRY P. ISHAM	*Chairman of the Board, Clearing Industrial District, Inc.*
WILLIAM V. KAHLER	*Chairman of the Board, Illinois Bell Telephone Company*
HUGHSTON M. McBAIN	*Retired Chairman of the Company*
JOHN McKINLAY, JR.	*Executive Vice President and Treasurer of the Company*
JAMES L. PALMER	*President of the Company*
GERALD A. SIVAGE	*Executive Vice President of the Company*
WILLIAM S. STREET	*Retired Executive Vice President of the Company*

CORPORATE OFFICERS

JAMES L. PALMER	*President*
JOHN McKINLAY, JR.	*Executive Vice President and Treasurer*
GERALD A. SIVAGE	*Executive Vice President*
DAVID W. DAVIDSON	*Senior Vice President*
CORNELIUS J. BYRNE	*Vice President*
RALPH E. BOWERS	*Vice President and Secretary*
GEORGE G. RINDER	*Vice President and Comptroller*
CHARLES M. RHODES	*Assistant Treasurer*
ROBERT A. WILBRANDT	*Assistant Secretary*

DIVISION OFFICERS

Chicago Stores Division

EINAR L. BJORKLUND	*Vice President, Merchandising*
JOSEPH A. BURNHAM	*Vice President, Operating*
WILLIAM L. ENGLISH	*Vice President, Divisional Comptroller*
JOSEPH N. FIELD	*Vice President, Merchandising*
CHARLES W. FOLDS	*Vice President, Merchandising*
CLARENCE T. GREGG	*Vice President, Merchandising*
CARL GULDAGER	*Vice President, Advertising and Public Relations*
EARLE HARRISON	*Vice President, Operating*
CHARLES C. HOLLOWAY	*Vice President, Merchandising*
DONALD K. KEITH	*Vice President, Merchandising*
JOHN T. MOSS	*Vice President, Design*
HARRY D. PERKINS	*Vice President, Merchandising*
LLOYD H. RICHMOND	*Vice President, Personnel*
WILLIAM C. STETSON	*Vice President, Merchandising*

Frederick & Nelson Division

JASPER UTZ	*Vice President, General Merchandise Manager*
MYRON C. LAW	*Vice President, Operating*

Mayfair Division

ARNOLD D. K. MASON	*Vice President, Merchandising*

STORE LOCATIONS

In the Chicago Area

Marshall Field & Company
111 North State Street, Chicago

Evanston
1700 Sherman Avenue, Evanston

Lake Forest
682 North Bank Lane, Lake Forest

Oakbrook
One Oakbrook Center Mall, Oak Brook

Oak Park
1144 Lake Street, Oak Park

Old Orchard
One Old Orchard, Skokie

Park Forest
333 Plaza, Park Forest

In the Milwaukee Area

Mayfair
One Mayfair Mall North
Wauwatosa, Wisconsin

In the Seattle Area

Frederick & Nelson
5th and Pine Streets, Seattle

Aurora Village (in progress)
20218 Aurora Village Square North
Seattle

Bellevue Square
Bellevue, Washington